COUNTY ADMINISTRATOR

AGENDA 5 January 3, 1985

MEL HING
COUNTY ADMINISTRATOR

STEPHEN A. HAMILL
ASSISTANT COUNTY ADMINISTRATOR

December 20, 1984

Honorable Board of Supervisors
Administration Building
Oakland, CA 94612

Dear Board Members:

Subject: Review of Redevelopment in Alameda County

RECOMMENDATION:

It is recommended that your Board approve the redevelopment policy recommendations contained in Attachment I. These recommendations generally are concerned with:

- A procedural framework for analyzing new redevelopment projects;
- General County policy regarding redevelopment;
- Methods to alleviate the fiscal impact of redevelopment on taxing entities;
- Projects and agreements with redevelopment agencies;
- Redevelopment project monitoring; and
- Proposed legislative reform of redevelopment law.

SUMMARY:

The County Administrator's Office has undertaken a review of redevelopment projects in Alameda County to assess the financial impact of redevelopment on the County General Fund and on other taxing jurisdictions, and to develop a procedure for analyzing the validity and fiscal impact of proposed projects and amendments.

The components of the study include a review of redevelopment law, process, and history, a compilation of an information base for all redevelopment projects in Alameda County, a survey of other counties' experiences with redevelopment, identification of redevelopment issues, development of an analytical procedure for reviewing new projects, and an identification of policy options and areas of legislative reform for the Board of Supervisors to consider with regard to redevelopment (see attached report).

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DISCUSSION:

The major findings of the study are as follows:

- Alameda County has 20 ongoing redevelopment projects being undertaken by 9 cities. Many demonstrate the appropriate use of redevelopment while others appear to be an abuse of the ambiguous definition of "blight". In addition, two new projects and one amendment are currently being proposed.
- 17 of the 20 projects use tax increment financing, whereby the project area assessed value is frozen at the beginning of a project, and the property tax revenue associated with any increase in the assessed value over the life of the project is paid to the redevelopment agency to fund project activities.
- The loss of property tax revenue from the County General Fund to redevelopment agencies since 1963 is $22.9 million. It is projected that the County will lose an additional $63 million over the next ten years, assuming no additional projects are approved.
- Alameda County has lost considerable property tax revenues to redevelopment agencies as compared with other counties surveyed.
- The property tax loss to redevelopment agencies has been escalating steadily and hinders the County's ability to provide services.
- The vague definition of blight has been used by agencies to justify redevelopment in areas where there was probably no legislative intent.
- While redevelopment project activities often generate significant local revenues to cities, these are generally not contributed to the financing of the project.
- Since the County does not have the authority to approve or deny redevelopmwnt project plans, its only power is to negotiate agreements with redevelopment agencies before a plan is adopted.
- If agreements cannot be negotiated, the only option the County has is to file or threaten to file suit against an agency.
- Legislative reform is needed to clear ambiguities and close abusive loopholes in redevelopment law, and to expand the County's authority in dealing with agencies.

Very truly yours,

Mel Hing

MEL HING
COUNTY ADMINISTRATOR

MH/VMC:ng

Attachment
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Attachment I

Recommendations

- Adopt the recommended analytical procedure to use as a framework in analyzing new redevelopment projects. The procedure includes examining available documentation, creating a committee to consult with redevelopment agencies determining physical and economic blight in a project area, and determining the potential fiscal impact on the County General Fund.

Recommended County Policies Regarding Redevelopment

Based on a review of policies regarding redevelopment adopted by other counties, the following policy recommendations have been compiled. These policies are intended to provide general guidance to county staff recognizing that each project will be reviewed individually with the Board of Supervisors prior to the initiation of formal discussions with a redevelopment agency. The policies and proposed legislative changes being recommended are as follows:

General County Policy

- Support the legitimate use of redevelopment in addressing severe cases of community "blight"
- Establish that the Redevelopment Task Force work with cities at the early plan formulation stage
- Oppose the use of tax increment financing for proposed improvements which are normal city responsibilities and which should be financed from the City General Fund (examples are building and street maintenance)
- Create a Fiscal Review Committee for all new projects or amendments for which the County has not been contacted in advance, or insufficient information has been made available to the County from the agency.

Concerning Fiscal Impact on the County

- All amendments financially affecting the County must first have the Board of Supervisors' approval
- Allocate all of the increase in local revenues in the project area (such as sales or bed taxes) to repay project debt (in lieu of property tax increments)
- If the County determines a project area is not blighted, the project will provide no regional benefit, the project area would have developed without the use of redevelopment, or that alternative sources of financing are available, the County shall negotiate a 100% pass-through of tax increments to the General Fund
- The County shall receive the property tax associated with a minimum of the first 5% increase in project area assessed value each year to cover the increased cost of County services (generally, service costs increase by 5% per year)
- Amount of tax increment to the agency will be reduced by the amount of profit realized from the sale or lease of project property
- If property tax rates increase, the County will be reimbursed accordingly

Concerning Projects and Agreements

- Areas experiencing assessed value growth greater than or equal to the County or City average during the prior five years shall be excluded from the total project area. (This refers to general areas, not specific parcels.)
- All project length determinations must be explained and justified. Project plans with a 20-year duration will be considered reasonable. Projects intending to last more than 20 years will be considered extraordinary and will need to be justified by clearly convincing supporting facts.
- When an amendment is proposed, the County shall renegotiate a total project life and tax increments for the whole project, not just the amended area.

Concerning Project Monitoring

- Require a copy of the annual audited financial statements from the redevelopment agency describing the agency activities for the prior year and listing the total expenditures broken down by department, for each project area
- Require the agency to do an annual follow-up report on the project area to show what development has occurred. It must also prove that the area is still blighted to warrant continuation of the project, or if the blighted condition has been remedied by redevelopment, the project shall be completed early with a sunset provision.

Proposed Legislative Changes

Sponsor legislation or support legislative reform through cooperation with other jurisdictions which:

- Limits the scope of projects
  - Establish a range limit on the percentage of the County's assessed value or acreage allowed to be included in redevelopment project areas. A moratorium shall then be held on redevelopment activity until project areas have returned to the tax rolls. Any redevelopment activity allowed to exceed this range limit must first have Board of Supervisors' approval.
  - Set a limit on the percent of a jurisdiction's territory which can be included in redevelopment.
  - Set limits on an agency's use of tax increment financing based on the availability of other funding sources.
- Clarifies existing redevelopment law and narrows the definition of blight (an example would be U.D.A.G. criteria)
- Defines legal difference between development and redevelopment
- Places a freeze on sales and bed taxes and other local revenues, similar to the way property taxes are frozen at the beginning of a project. As tax revenues increase, due to redevelopment activity, allocate all or part of those increases to repay project debt. The tax revenue associated with the frozen base continues as revenue to the city.

- Requires a mandatory 2% pass-through from agencies to all affected taxing entities (except school districts which receive a 100% pass-through from AB 203).
- Reimburses the County for expenses involved in the review process of new and amended redevelopment projects, including consultant's fees.
- Requires County written approval prior to the adoption of redevelopment plans or amendments intending to use tax increment financing, or which are detrimental to the County's fiscal position.
- Requires projects started prior to 1977 to establish a time limit on the project life, and a tax increment limit, if none was stated in the redevelopment plan at the time of adoption.
- Attempts to seek State subvention to reimburse the County loss of tax increments from redevelopment. (Similar to homeowners property tax subvention.)

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REVIEW OF COUNTY REDEVLOPMENT

Summary

Purpose of Study

In response to the increasing use of redevelopment in Alameda County and its corresponding financial impact, a study was conducted by the County Administrator's Office. The purpose of the study was to review ongoing redevelopment projects in Alameda County, describe the redevelopment process, develop a recommended procedure for analyzing new projects, and develop policy options for the Board of Supervisors to consider with regard to redevelopment.

The components of the study include:

- Review of redevelopment law and historical background;
- Overview of the redevelopment process and participating entities;
- Compilation of a comprehensive information base for each redevelopment project in Alameda County;
- Collection of information on other county experiences with regard to reviewing and monitoring redevelopment projects and negotiating with redevelopment agencies;
- Identification of redevelopment issues and county action through the fiscal review committee;
- Development of an analytical procedure for reviewing new redevelopment projects; and
- Identification of policy options and legislative reform for the Board of Supervisors to consider with regard to redevelopment.

Summary

Redevelopment is the method by which cities or counties acquire "blighted" property and provide improvements to eliminate the blighted conditions and encourage subsequent private investment. The primary financing method is property tax increment revenue generated by the increased property value resulting from the improvements to the property. These property tax increments are diverted from taxing entities to fund project improvements through the project's life (which can range from 10 to 40 years).

The number of projects being initiated by city redevelopment agencies has been steadily escalating. The associated tax increment loss to the County General Fund has, likewise, been escalating and is projected to triple within the next ten years. These growing concerns indicate that a study on redevelopment and methods for the county to take an active role in the redevelopment process is timely.

The major findings of the study are as follows:

- Alameda County has 20 ongoing projects being undertaken by 9 cities. In addition, two new projects and one amendment are currently being proposed. Many of these demonstrate the appropriate use of redevelopment for urban renewal, yet others appear to be an abuse of the ambiguous definition of "blight".

- 17 of the 20 projects use tax increment financing, whereby the project area assessed value is frozen at the beginning of a project, and the property tax revenue associated with any increase in the assessed value over the life of the project is paid to the redevelopment agency to fund project activities.

- Since 1963, the loss of property tax revenue from the County General Fund to redevelopment agencies is $22.9 million. The loss over the next ten years is projected to be an additional $63 million, assuming no additional projects are approved.

- Compared with other counties surveyed, Alameda County has the fourth largest tax revenue loss to redevelopment agencies.

- While annual property tax allocations to agencies and county service costs increase in redevelopment project areas, the County's tax revenue base remains fixed at the base year assessed value and cannot cover escalating service costs. The financial hardship forces the county to decide if it must reduce the quality of service or eliminate services altogether.

- The ambiguities in Redevelopment Law have allowed city agencies to include non-blighted, vacant land in project areas. The liberally used definition of blight has been used to justify redevelopment in areas where there was probably no legislative intent.

- While project area development often generates significant local revenue to cities, these are often not contributed to the financing of the project. This is particularly frustrating to counties, which have a fixed income until project completion, while cities reap benefits throughout the project life.

- Since the County does not have the power to approve or deny a redevelopment plan, its only power is to negotiate with the redevelopment agency before a plan is adopted. The result of the negotiation process establishes the county's position throughout the project's life.

- It is crucial to maintain an environment of cooperation in the negotiation process to reach equitable agreements. If agreements cannot be reached, the only option the County has is to file suit against an agency.

- While recent legislative changes have strengthened county positions with city redevelopment agencies, further legislative reform is needed to clear ambiguities and close abusive loopholes in redevelopment law.

Recommendations

- Adopt the recommended analytical procedure to use as a framework in analyzing new redevelopment projects. The procedure includes examining available documentation, creating a committee to consult with redevelopment agencies determining physical and economic blight in a project area, and determining the potential fiscal impact on the County General Fund.

Recommended County Policies Regarding Redevelopment

Based on a review of policies regarding redevelopment adopted by other counties, the following policy recommendations have been compiled. These policies are intended to provide general guidance to county staff recognizing that each project will be reviewed individually with the Board of Supervisors prior to the initiation of formal discussions with a redevelopment agency. The policies and proposed legislative changes being recommended are as follows:

General County Policy

- Support the legitimate use of redevelopment in addressing severe cases of community "blight"
- Establish that the Redevelopment Task Force work with cities at the early plan formulation stage
- Oppose the use of tax increment financing for proposed improvements which are normal city responsibilities and which should be financed from the City General Fund (examples are building and street maintenance)
- Create a Fiscal Review Committee for all new projects or amendments for which the County has not been contacted in advance, or insufficient information has been made available to the County from the agency.

Concerning Fiscal Impact on the County

- All amendments financially affecting the County must first have the Board of Supervisors' approval
- Allocate all of the increase in local revenues in the project area (such as sales or bed taxes) to repay project debt (in lieu of property tax increments)
- If the County determines a project area is not blighted, the project will provide no regional benefit, the project area would have developed without the use of redevelopment, or that alternative sources of financing are available, the County shall negotiate a 100% pass-through of tax increments to the General Fund
- The County shall receive the property tax associated with a minimum of the first 5% increase in project area assessed value each year to cover the increased cost of County services (generally, service costs increase by 5% per year)

- Amount of tax increment to the agency will be reduced by the amount of profit realized from the sale or lease of project property
- If property tax rates increase, the County will be reimbursed accordingly

Concerning Projects and Agreements

- Areas experiencing assessed value growth greater than or equal to the County or City average during the prior five years shall be excluded from the total project area. (This refers to general areas, not specific parcels.)
- All project length determinations must be explained and justified. Project plans with a 20-year duration will be considered reasonable. Projects intending to last more than 20 years will be considered extraordinary and will need to be justified by clearly convincing supporting facts.
- When an amendment is proposed, the County shall renegotiate a total project life and tax increments for the whole project, not just the amended area.

Concerning Project Monitoring

- Require a copy of the annual audited financial statements from the redevelopment agency describing the agency activities for the prior year and listing the total expenditures broken down by department, for each project area
- Require the agency to do an annual follow-up report on the project area to show what development has occurred. It must also prove that the area is still blighted to warrant continuation of the project, or if the blighted condition has been remedied by redevelopment, the project shall be completed early with a sunset provision.

Proposed Legislative Changes

Sponsor legislation or support legislative reform through cooperation with other jurisdictions which:

- Limits the scope of projects
  - Establish a range limit on the percentage of the County's assessed value or acreage allowed to be included in redevelopment project areas. A moratorium shall then be held on redevelopment activity until project areas have returned to the tax rolls. Any redevelopment activity allowed to exceed this range limit must first have Board of Supervisors' approval.
  - Set a limit on the percent of a jurisdiction's territory which can be included in redevelopment.
  - Set limits on an agency's use of tax increment financing based on the availability of other funding sources.

- Clarifies existing redevelopment law and narrows the definition of blight (an example would be U.D.A.G. criteria)
- Defines legal difference between development and redevelopment
- Places a freeze on sales and bed taxes and other local revenues, similar to the way property taxes are frozen at the beginning of a project. As tax revenues increase, due to redevelopment activity, allocate all or part of those increases to repay project debt. The tax revenue associated with the frozen base continues as revenue to the city.
- Requires a mandatory 2% pass-through from agencies to all affected taxing entities (except school districts which receive a 100% pass-through from AB 203).
- Reimburses the County for expenses involved in the review process of new and amended redevelopment projects, including consultant's fees.
- Requires County written approval prior to the adoption of redevelopment plans or amendments intending to use tax increment financing, or which are detrimental to the County's fiscal position.
- Requires projects started prior to 1977 to establish a time limit on the project life, and a tax increment limit, if none was stated in the redevelopment plan at the time of adoption.
- Attempts to seek State subvention to reimburse the County loss of tax increments from redevelopment. (Similar to homeowners property tax subvention.)

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ALAMEDA COUNTY REDEVELOPMENT STAFF REPORT

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I. BACKGROUND ON REDEVELOPMENT

Introduction

Redevelopment is defined as the renovation of a blighted area evidenced by physical dilapidation or economic stagnation. Redevelopment projects are undertaken by city or county governments and generally include the rehabilitation of urban downtown areas, installation of public facilities, street improvements and land parcel assembly. In California, redevelopment law provides a mechanism for financing redevelopment projects through the use of tax increment financing. Under this financing method, the assessed value of a project area is determined and frozen at the beginning of the life of the project. Any property taxes associated with an increase in assessed value over the base are diverted to the project area, away from the taxing entities (including the county) until the project is financed and completed.

Currently, Alameda County has 20 ongoing redevelopment projects, one pending project amendment and two new projects being proposed by the Cities of Hayward and Oakland. Of these projects, 17 use tax increment financing. Over a period of 20 years, since fiscal year 1963-64, a total of $73,845,534 in property tax revenues have been diverted from taxing entities and paid to redevelopment agencies. Of this amount, $22,666,957 has been diverted from the Alameda County General Fund. The average growth in tax increments to redevelopment agencies is about 25% per year, while the growth in property tax revenue to the county is limited to 2% per year (assuming no revaluation of property at market value due to construction or change in ownership).

The future loss of tax increments from the county is uncertain and depends on city project costs, paid for through bond issuance, and on the interest accruing on those bonds. Project cost estimates in Alameda County have ranged from $500,000 to $140,000,000 with an average of about $25 million per project. The total costs of all projects are estimated at $350,000,000. The average estimated length of current projects is 35-40 years with the average time for completion of an entire project at about 32 years.

Historically, Alameda County's perception of redevelopment has been that if a project benefitted a city, then it also benefitted the County. Prior to Proposition 13, the County could make up lost tax revenue from the diversion of property taxes to redevelopment agencies by raising the property tax rate. Under these conditions, Alameda and most other counties did not concern themselves with the fiscal impact of redevelopment.

The passage of Proposition 13 changed the fiscal impact of redevelopment on counties. With Proposition 13, payments to agencies could not be replaced. While Alameda County strongly supports economic development, as reflected by the recent establishment of an Office of Economic Development and Community Affairs in the County Administrator's Office,

it is now finding it more difficult to contribute its limited property tax revenue increases to redevelopment agencies. In addition, based on evidence provided by other counties, cities with financial difficulties are turning to redevelopment and tax increment financing to fund public improvements which are normally city responsibilities as well as to fund road construction projects for which CalTrans has assigned a low priority. This trend towards an increased use of redevelopment has placed more and more of a financial burden on the county.

These circumstances have led to counties taking a more active role in the redevelopment process. In the post Proposition 13 fiscal environment, counties are beginning to weigh the costs and benefits of each individual project and scrutinize them carefully to determine their validity and merit. In order to carefully evaluate redevelopment projects, the counties have also begun developing procedural guidelines for assessing the impact, benefits, and costs for each new project.

Purpose

In response to the increasing use of redevelopment in the County and its corresponding financial impact, a study was conducted by the County Administrator's Office. The purpose of the study is to review ongoing redevelopment projects in Alameda County, describe the redevelopment process, develop a recommended procedure for analyzing new projects, and develop policy options for the Board of Supervisors to consider with regard to redevelopment.

The components of the study are as follows:

- Review of redevelopment law and historical background.
- Overview of the redevelopment process.
- Compilation of a comprehensive information base for each redevelopment project in Alameda County, including a description of project activities, existing condition of the site, financing method, starting and ending dates, estimated project cost, debt history, and tax increment information.
- Collection of information on other county experiences with reviewing and monitoring redevelopment projects and negotiating with redevelopment agencies.
- Identification of redevelopment issues and action the county may take through the fiscal review committee process.
- Development of an analytical procedure to use as a framework in reviewing new redevelopment projects.
- Identification of policy options for the Board of Supervisors to consider with regard to redevelopment.

History of Redevelopment

Redevelopment, as defined by California State law, is the planning, development, replanning, redesign, clearance, reconstruction, or rehabilitation, or any combination of these, of all or part of a blighted project area. Project areas may include residential,

commercial, industrial, public, or other structures or spaces determined to be necessary to preserve the public's general welfare.

Redevelopment includes improving structures, providing public infrastructure and open space use (such as streets, public grounds, and public facilities), and redesigning or developing areas which are stagnant and require land parcel assembly and subsequent development.

Redevelopment began with the Federal Housing Act of 1937. This act was designed to improve housing by providing mortgages for those who could not afford to buy homes, and public housing for those who could only afford to rent. The public housing was provided by clearing existing slums and building new housing on the same site; however, the new housing eventually turned into replacement slums. Several subsequent amendments have shifted the emphasis to non-residential development primarily in response to cities concerned about a declining tax base resulting from commercial centers relocating from downtown areas into the suburbs.

More recently, the focus of redevelopment has been on the elimination of blighted areas including urban, rural, or undeveloped land suffering from economic blight. In such areas, private rehabilitation has not been successful because the entire area required redevelopment in order for a project to be economically feasible. Since no specific provision has been included in the law that a project area be an urban slum, interpretations have shifted emphasis towards subsidized development rather than the traditional notion of redevelopment (urban renewal).

In 1951, the California Legislature rewrote the codes for community redevelopment law and provided for tax increment financing. Under this provision, redevelopment agencies can issue tax allocation bonds to pay for improvements and use tax increment revenues as the pledge of payment for those bonds.

Tax increment financing works in the following way: at the beginning of a project, a base year and a frozen base year assessed value of the property in the project area is established by the County Auditor/Assessor. As soon as the redevelopment agency certifies that it has issued debt instruments, the agency is entitled to the property tax corresponding with the increment or increase in the property value over the base year assessed value (only to the extent that the tax increment paid does not exceed the outstanding debt for that year). The taxing agency continues to receive property taxes corresponding with the frozen base assessed value until the project is completed or the debt is repaid. Then the property tax increments revert back to the County and other taxing entities.

For truly blighted areas, the loss of tax revenues to the County is not significant since the area would not have generated an increase in tax revenue without the use of redevelopment. For areas likely to have been privately developed without the use of redevelopment, however, the loss to taxing entities can be very substantial. It is therefore necessary

for the County to determine if a project area requires the use of redevelopment in order to acheive economic development. The use of redevelopment and tax increment financing was based on the assumptions that tax increment financing would be used specifically to make improvements in the project area which would encourage private development, and that redevelopment would be used only in areas where development would not have occurred without government subsidy.

Many cities, however, through redevelopment agencies have instituted redevelopment projects where traditional redevelopment was not necessary, in order to obtain property tax increment revenue from counties. This has started a shift away from urban renewal towards subsidized development. The merging of project areas was approved by the State Legislature allowing redevelopment agencies to apply the debt of one project against the tax increment revenue being received by other project areas. This has resulted in an extension of the time period in which redevelopment agencies may receive tax revenues and a longer period of diversion of tax revenues from taxing entities.

Recently-enacted legislation has begun to strengthen the position of counties with regard to redevelopment projects. The Hannigan Bill (AB 203) which will be effective January 1, 1985, requires redevelopment agencies to disclose additional information to taxing entities prior to the adoption of a plan. It also speeds up the negotiation process by requiring that discussions between the taxing entities and the redevelopment agency begin within fifteen days of the date the fiscal review committee is formed. In addition, the legislation specifies that tax increments may not be used to pay for normal maintenance of city improvements or operations and requires agencies to pass through a 2% increase in tax increments to school districts who historically received subsidies from the State to offset lost property tax revenues.

These legislative amendments together with those that became effective in January, 1984, requiring that project areas be at least 80% urbanized, have attempted to reduce the ambiguities within redevelopment law and more clearly define the scope of redevelopment projects. However, redevelopment laws remain ambiguous and many counties have suggested a need for further legislative reform.

Redevelopment Process

Existing Community Development Law permits cities and counties to create redevelopment agencies (by ordinance) and finance projects through, among other methods, the issuance of tax allocation bonds. A project area is generally required to be blighted, but may include land, buildings, or improvements which are not detrimental to the public health, safety, or welfare, but whose inclusion is found necessary for effective redevelopment.

It is important to note that the fact that a proposed project area is not being put to its optimum use, or that the land is more valuable for other uses, does not justify a redevelopment plan for that area. The

area must be characterized by a situation where blight is such that it constitutes a real hindrance to development, and cannot be eliminated or improved without public assistance.

There are several steps involved for a redevelopment agency planning to undertake a project, and the process takes about nine months from the designation of a project area to redevelopment plan approval. The main steps are as follows: first the City Council designates a project area and agency staff and consultants prepare a preliminary plan. The plan includes a legal description of the project boundaries, a map of the area, and a statement that a redevelopment plan is being prepared. The Planning Commission approves or redefines the project area boundaries and approves the preliminary plan. The agency then starts the preparation of the redevelopment plan and the environmental impact report.

After receipt of the preliminary plan, the County may create a fiscal review committee to determine the fiscal impact the project may have on taxing entities, to conduct negotiations with the agency, and suggest changes in the redevelopment plan. This gives the County an opportunity to become involved in the plan formation and provide input in making plan or amendment changes.

Examples of plan amendments or modifications that may be made include reducing the length of the project or amount of tax increments the agency proposes to collect, creating assessment districts for property/business owner participation, tax increment pass-throughs to some taxing entities, and many others. The committee prepares a fiscal review committee report which analyzes the fiscal impact of the project, and lists suggested changes in the redevelopment plan. The committee may negotiate with the agency throughout the process and attempt to reach equitable solutions for both parties. In the event that a redevelopment plan is adopted which the County strongly disagrees with, it may take legal action against the plan or the agency.

Once the Fiscal Review Committee process is completed, the agency may finalize the redevelopment plan and EIR and the City Council and agency may hold a public hearing on the two documents. If the plan is approved, the Council introduces an ordinance adopting the redevelopment plan. According to current law, the County is not required to approve a redevelopment plan before it is adopted by a redevelopment agency.

II. REDEVELOPMENT IN ALAMEDA COUNTY

Current Projects

Alameda County currently has 20 ongoing redevelopment projects in 9 cities (see Attachment I for map and Attachment II for growth in number of city projects). The cities undertaking projects are Alameda, Berkeley, Emeryville, Fremont, Hayward, Livermore, Newark, Oakland, and San Leandro. (See Attachment III for summary chart of Alameda County projects.) Many of these projects involve acquiring parcels by eminent

domain, assembling them into larger parcels for potential use for commercial or industrial development, and subsequently selling the property to a developer who will comply with the development plans of the city. Other public improvements include rehabilitation of structures or site clearance, installation or upgrading of streets and storm drains, historic district restoration, and expansion of public facilities. Some of these activities may also require the agency to provide relocation assistance to residents and businesses.

Many of the downtown redevelopment projects in Alameda County such as downtown Oakland, Fremont, San Leandro and Hayward are clearly consistent with community redevelopment law. These areas would generally be considered blighted as evidenced by slow growth or disinvestment of property. Other projects may be better characterized as being subsidized development rather than "urban renewal". This would generally apply to projects started on predominantly vacant land, such as the Alameda West End Community Improvement project designed to develop a predominantly vacant area into residential and commercial use along with street rerouting and improvements, and the Fremont Industrial Development Project which intends to improve 4 freeway interchanges to encourage development in the surrounding undeveloped area. These are two contrasting examples of the ways in which cities have utilized the redevelopment process in Alameda County.

Since 1963-64, a total of $73.8 million has been diverted to redevelopment projects from taxing entities in the County. Of this amount, $22.9 million was the county general fund portion. (See Attachments IV and V which illustrate the growth of tax increments paid to redevelopment agencies to date.) Using regression analysis, the projected property tax loss from the General Fund over the next 10 years due to redevelopment is estimated to increase 3 times or to about $62.8 million. This estimate assumes constant growth based on the growth that occurred during the past 6 years and does not account for new projects starting with the next decade.

In addition, the annual rate of growth in assessed value of redevelopment project areas has exceeded that of the countywide assessed value. The average growth in countywide assessed value in the past 5 years is about 11.2% per year, while redevelopment areas have had an annual growth of about 27.1%. The change in countywide assessed value has remained fairly stable over the past 5 years while the change in assessed value of redevelopment project areas has fluctuated greatly. In recent years, redevelopment project area assessed value growth has remained consistently above that of the county average. Attachment VI illustrates this situation.

The amount of General Fund tax increment paid to redevelopment agencies as a percentage of the General Fund property tax base has also been increasing (see Attachment VII). Attachment VIII summarizes the distribution of property taxes to all taxing entities including redevelopment agencies in 1983-84. This "piece of the pie" related to redevelopment agencies is expected to get even larger in future fiscal years.

Many of the city redevelopment project plans do not specify their geographic size. However, of the projects that do, they range in size from 10 acres to 3,000 acres. Most of the downtown projects are around 150 to 200 acres while small projects such as Berkeley and Newark are generally less than 50 acres. While the acreage cited here represents the project's original boundaries, agencies may amend their projects to expand their boundaries and include additional areas or increase the boundaries.

Redevelopment projects are also characterized by the number of years in which the project will be completed. Project lengths vary from 5 to 40 years with most in the 35-40 year range. The average length of projects in the County is 32 years. The first project was started in FY 1960/61 and is expected to be completed in 11 years or by 1995. The problem with these figures is that the ending dates are only estimates. None of the projects which have been started by cities have been completed and the lengths are often extended for various reasons. As with amendments to change project boundaries, agencies may amend the length of projects as well.

This has created problems for the county for it typically loses property tax increments for a 30 to 40 year period with the potential reward of receiving increased property tax at the end of the project. The situation in Alameda County, and most other counties is that these projects end up continuing longer than expected and the lost revenues to the county become more extensive than anticipated. While new projects must now place a cap on the length of a project and the total tax increments to be received, all these current projects can potentially be amended to continue indefinitely. Another problem is that even if a limit is required, an agency can amend its project to string-out tax increment payments for longer periods. The number of projects in the county has been steadily growing and has placed more financial hardship on the county. With two more projects currently being proposed, the problem has become escalated.

Experience With Fiscal Review Committee Process in Alameda County

Alameda County does not have extensive experience with the fiscal review committee process, but has conducted negotiations with agencies in four recent cases.

In 1982, the county formed a fiscal review committee to negotiate with the Livermore redevelopment agency. The county was concerned about the potential amount of tax increments which could be diverted to the Livermore project over the project's life. The result was an agreement by resolution whereby if the agency proposed adopting an amendment to increase the amount of tax increments to be received, or increase the length of the project, it must first have the approval of the committee.

The San Leandro redevelopment agency currently has two projects: Plaza 1 and Plaza 2. In 1982, the agency proposed an amendment which would merge the two project areas. The purpose was to use tax revenue

generated from one project area to finance the other area. This could have lengthened the life of both projects and the amount of taxes diverted to the agency. In this situation, the county threatened to form a fiscal review committee. In response, the city withdrew the merger plan on the condition that the county not create the committee.

The county formed a committee concerning the City of Alameda West End Improvement Project in 1983. The taxing agencies participating in the fiscal review process concluded that the Alameda redevelopment agency had not provided adequate financial information relative to the impact of the proposed project on county service requirements, or on potential increased sales tax revenue. The city's response was that they had provided adequate financial information in the redevelopment plan and draft environmental impact report. No contractual agreement was reached and the county did not pursue litigation.

In 1983, the Fremont redevelopment agency proposed the freeway interchange improvement project. The county did not officially form a fiscal review committee; however, negotiations with the agency were conducted. The result was an agreement between the city and county for the agency to receive half the property taxes generated and pass through the other half to taxing entities. Another result was an opener to renegotiate pass-throughs of tax increments to school districts in the project area if they become financially troubled. They also agreed to renegotiate so that if the nature of the project area changed as to generate sales taxes, that these sales taxes would be applied to redevelopment activities.

Currently, Alameda County has formed fiscal review committees for a new Newark project, an amendment to the downtown Hayward project, and is working with the City of Oakland on an informal basis in reviewing a proposed Coliseum area project.

III. REDEVELOPMENT SURVEY RESULTS

In August of 1984, a survey was conducted of other counties to determine their experience with redevelopment. A questionnaire was sent to 23 California counties. The counties surveyed were Contra Costa, Fresno, Humboldt, Kern, Los Angeles, Mendocino, Monterey, Orange, Placer, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, Tulare and Ventura. Out of these, 13 responded (57%). (See Redevelopment Survey Results chart, Attachment IV.)

The questionnaire covered topics on redevelopment including the number of existing projects, the financial impact of tax increment financing, types of data used to quantify fiscal impact, monitoring of ongoing projects, procedures for analyzing new projects, use of consultants for analysis, negotiation strategies with agencies, composition of the fiscal review committee, methods for challenging projects on legal or fiscal grounds, and other areas of concern with regard to redevelopment. The sources of data used to develop the following summary include written questionnaires and personal telephone follow-up interviews.

Among the surveyed counties, the total number of existing city agency redevelopment projects range from 0 to 160 averaging at 29 projects per county. Most counties are not administering their own redevelopment projects. Of the four that do, three have one project and Los Angeles County has 5 projects. Seven counties indicated that they are or have at one time acted as a redevelopment agency.

The financial impact or annual loss of property taxes to the County general fund range from $8,203 for one project to $77,369,276 for 160 projects. The average 1983-84 loss of tax increments to a county general fund was $9,726,145. By comparison, Alameda County's general fund loss in 1983-84 was $3,742,688, the 4th largest loss of property taxes from the general fund of counties surveyed. It is ranked after Los Angeles, Santa Clara and Orange counties.

Most counties have been getting more involved with redevelopment but do not have many staff people working solely on redevelopment. Full time equivalent staff people range from 0 to 5 per county with an average of 1.4 FTE. Only the larger counties (Orange, Sacramento and San Bernardino) have staff people specifically assigned to redevelopment issues.

Methods for analyzing new projects are used by all counties but some are more sophisticated than others. Sixty-seven percent of the counties surveyed do a windshield survey of a project area to determine physical blight. Some counties take photographs while others bring a land use expert and use his/her professional opinion on physical blight. Forty-two percent examine the assessed value of project property for the past five years and have concluded that increases over 2% per year are due to private investment, thus refuting the argument of economic blight. Thirty-three percent review the Environmental Impact Report, the redevelopment plan, and consultant's feasibility studies. Twenty-five percent review current development and construction and identify alternative funding sources for projects. Other methods used include reviewing development activity in surrounding areas, building permits issued in the area, planning commission minutes, examining retail sales tax trends, determining which proposed project improvements are normally city responsibilities, and submitting a list of specific questions or data needed for projecting service costs.

Of the counties surveyed, two have never quanitified the fiscal impact/detriment of a project on the county. Fifty percent have projected assessed value growth over the life of the project and determined the associated lost tax increments. Forty-two percent have determined fiscal detriment as the total tax increments proposed to be used by the agency. Twenty-five percent have projected county service cost increases due to redevelopment activities. Seventeen percent have projected population growth and commercial acreage and employment growth. Data used occasionally include project induced housing buildout, annual budgets, a list of proposed projects by type (residential, commercial, industrial) and which projects are normally city responsibilities. Two counties have never quantified financial

detriment; however, they have had very limited experience with redevelopment and intend to quantify fiscal effects in the future.

Of the counties surveyed, four indicated that they do not monitor ongoing projects. Areas commonly monitored are agency expenses, project debt repayment and compliance with the redevelopment plan. Fifty percent of the counties indicated their monitoring was conducted by the Auditor-Controller, 25% by the Administrator's Office and one by the Assessor and Flood Control. The purpose of monitoring is generally to ensure that the tax increment payments do not exceed the outstanding debt and that project expenditures conform to the redevelopment plan.

Half the counties have used consultants for financial or legal analysis and most have been very satisfied with their performance.

Of the negotiation strategies utilized with redevelopment agencies, 92% of the counties have been successful in reducing or limiting the total tax increments proposed to be used by the project. In addition, tax increment pass-throughs are also commonly negotiated. Sixty-seven percent have reduced or limited the length of the project or decreased the total project area. Fifty percent have altered the type of project being used, 25% have been able to divert the increased sales taxes or other local revenues in lieu of tax increments, and 17% have arranged funding through property and/or business special assessment districts. Eight percent have successfully limited specific projects allowable, have received the first 5-10% increase in assessed value, received credit for low and moderate income housing, and only pay increments necessary to meet debt service. The most common unsuccessful negotiation strategy (33% of the respondents) has been to divert increased local revenues to the project in lieu of tax increments. Seventeen percent or less have not been able to decrease the project area, provide funding through property or business assessment districts, reduce the length of the project, or alter the type of project. One county has not engaged in negotiations with agencies.

Two counties indicated they had never created a fiscal review committee. Of the counties that have, 83% include the county administrator's office, 75% county counsel, 67% the auditor's office, 42% other special districts, 33% county planning and public works, 25% the assessor, and 8% include the board of supervisors, LAFCO and building inspection.

Most of the counties have not challenged agencies on legal grounds. Less than 20% have challenged agencies on the basis that the area was growing prior to redevelopment, the tax increments were excessive, other funding sources were available, and tax increment diversion would hurt the ability of the county to provide services.

Thirty-three percent of the counties have not challenged agencies on legal grounds. Forty-two percent have challenged the agency's determination of blight. Twenty-five percent or less have challenged on the basis of procedural errors, inadequate EIR, lack of factual evidence

of blighted conditions, project improvements were normally city responsibilities and the use of project funds for city purposes. Usually, cases are settled out of court, but the length of litigation has ranged from 3 months to 1-1/2 years. The impact of litigation has varied but has generally provided the county with more time and leverage in the negotiation process.

IV. REDEVELOPMENT ISSUES

As a result of an examination and review of redevelopment projects in Alameda County, and discussions with other County redevelopment staff 3 key issues have been identified. These issues relate to the use of tax increment financing, the appropriate use of redevelopment consistent with the intent of state law, and the negotiation process between taxing entities and the redevelopment agencies. These areas encompass most of the problems experienced by Alameda County as well as many of the counties surveyed.

The original intent of tax increment financing was that redeveloped property would increase in value, and the property taxes associated with the increase would pay for the cost of improvements. In theory, a project is self-financed, and at completion the taxing entities receive increased property tax revenue. In the classic case of redevelopment, where no private entity is likely to contribute, government financing is necessary. Under these circumstances, taxing entities contribute to a project for the future benefit to the community. The problem lies in the fact that most projects are not completed within the specified time frame and seem to continue indefinitely. While service costs increase over the years, tax revenues remain constant and do not cover escalating costs. This creates problems for taxing agencies who must decide whether or not to reduce the quality of services or cut back services altogether due to inadequate financing.

The appropriate use of redevelopment according to California state law and the corresponding use of tax increment financing, is to improve a physically and economically blighted area where private development would not occur without the use of redevelopment. The legal definition of "blight" is very broad and has provided redevelopment agencies with the opportunity to pursue projects clearly outside of the intent of the law such as developing vacant land.

Presently, it is possible for a redevelopment agency to examine building permits granted on construction not yet begun and put those parcels into a redevelopment project area in order to receive tax increment revenue. In such areas, economic "blight" has been used to justify the use of redevelopment for which there is probably no clear legislative intent. Examples of project areas which agencies have inappropriately considered "blighted" include tracts of farm land with a lack of proper utilization of potentially valuable (for development) land, and in one case a golf course was declared blighted because its tax receipts were inadequate to pay for the cost of public services rendered.

These examples show that virtually any undeveloped area could be included in a redevelopment project. Only very recently have legislative changes eliminated the inclusion of excessive vacant land in a project area. Meanwhile, those projects which included predominantly vacant land before this amendment went into effect will continue to receive property tax revenues for many years to come to finance development which would undoubtedly have occurred without the use of redevelopment.

Many counties have expressed frustration with the notion that cities benefit financially while a project is being undertaken, while counties are penalized by the diversion of tax increments. Many projects involve commercial development which generate sales and/or bed taxes to a city. These local revenues are increased as a direct result of project efforts, and logically should be contributed to the project, rather than to the city general fund. However, most counties who have attempted to negotiate the contribution of local revenues to a project to supplement or replace property tax increments have failed.

These problems can be attributed directly to the lack of specificity in the redevelopment law. The negotiation process is the only concrete way counties may reduce the effects of the issues discussed here. The important concept is that the outcome of negotiations determine the effects of a particular redevelopment project on the County for its life. It is only through effective negotiation and cooperation that equitable solutions can be achieved for both parties.

The final issue involves needed legislative reform to address the ambiguities in Community Redevelopment Law. Geographic areas included in redevelopment project areas should be more clearly defined. Alternative funding sources, other than tax increment financing should be emphasized including the contribution of local city revenues to projects that are directly attributable to the project's activities. Recently, counties have initiated legislative changes and more counties are becoming involved realizing that the present law allows cities to pursue redevelopment projects that are clearly outside the intent of Redevelopment Law.

V. CONCLUSION

Historically, redevelopment was originally intended to improve and provide housing in urban areas. The current emphasis is on the removal of physical or economic blight in a project area. Redevelopment law also allows for tax increment financing in areas where development would not have occurred without government subsidy. Because of the lack of specificity in the law, many cities have used redevelopment and tax increment financing to fund development in areas likely to attract private investors without the use of redevelopment and tax increment financing.

The redevelopment process takes about nine months to complete from the proposal to the adoption of a plan. During this period, it is important for counties to form fiscal review committees (whether they are created formally or operate on an informal basis) to work closely with redevelopment agencies. A spirit of cooperation is crucial during this time. Through negotiations, the County's position is established for the life of the project (averaging at 32 years). If this spirit of cooperation breaks down, the county or any other taxing entity can sue or threaten suit against an agency. Based on the experience of other counties, the threat of a suit and the length of litigation can often motivate agencies to engage in cooperative discussions with the county.

Alameda County currently has 20 ongoing redevelopment projects. Many of these are the classic downtown elimination of "urban blight" while others have been started on predominantly vacant land. The projects financial impact has been considerable; since 1963 a total of $73.8 million in property tax increments have been diverted from taxing entities to redevelopment projects. $22.9 million of which was diverted from the county general fund. Projections show that this figure is expected to triple within 10 years. In addition, the number of new projects being developed is increasing steadily. The result is a growing proportion of county general fund property taxes being diverted to these projects, which escalates the problem for the county.

The use of the fiscal review committee process to undertake discussions and negotiations with redevelopment agencies is critical. Alameda County does not have extensive experience with the fiscal review committee process, but has conducted negotiations on four projects. Of these attempts, three resulted in some benefit to the county.

The survey of other county experiences with redevelopment has shown that Alameda County has the fourth largest loss in tax revenue from the general fund. The survey also covered methods used by counties to analyze new projects. The large counties mainly Los Angeles, Orange, and San Bernardino have more sophisticated methods for analyzing new redevelopment projects, than small, less experienced counties. Many of these have been incorporated into the recommended analytical procedure (as an appendix to this report).

One of the key issues identified with regard to redevelopment is the improper use of redevelopment and tax increment financing not consistent with the intent of the law. Past projects have included prime developable vacant land or other areas which would not be considered blighted, and have used tax increment financing rather than a more appropriate funding source for these projects, such as a special assessment district. Another key issue is the generation of local cities revenues as a direct result of redevelopment projects that are not contributed to offset the project costs. Recent legislative proposals have attempted to address these ambiguities in redevelopment law.

In the redevelopment process, the county position is often that of defender of its property tax base. A city legally can pass a redevelopment plan without receiving county approval and this situation has placed a strong emphasis on the role of the county in the redevelopment process as "communicator" with redevelopment agencies. It is crucial to enter into negotiations with both parties maintaining a spirit of cooperation. If negotiations are conducted with fair and reasonable expectations, equitable agreements can be worked out and city-county relationships can remain cooperative. In the extraordinary case where no agreements can be made, the county may resort to the initiation of a legal suit against a city simply to defend its position. In order to avoid this situation, it is essential that cities and counties work together and share information with the goal of achieving mutually acceptable solutions.

VI. POLICY RECOMMENDATIONS

In order to address the increased use of redevelopment by the cities in Alameda County and its corresponding financial impact, it is recommended that the Board of Supervisors consider adopting a framework for analyzing new projects and certain broad policies to provide direction to county staff in engaging in discussions with redevelopment agencies.

Procedure for Reviewing New Redevelopment Projects

The purpose of establishing a procedure for reviewing new redevelopment projects using tax increment financing is to provide guidance to the county in considering the factors that constitute appropriate redevelopment plans or amendments. As the law stands, cities have the power to propose and adopt redevelopment plans without receiving approval from the county.

The attached recommended procedure (Attachment X) has been developed from the methods used by other counties that have proven to be successful. It is intended to be used as a guideline and not as a standard method, realizing that each project involves unique circumstances. The procedure includes examining any available documentation such as consultant reports and redevelopment agency materials, creating a fiscal review committee, determining physical blight by visiting the site, determining economic blight by reviewing recent development activity in the area and project area assessed values for the prior five years and increased county service costs. These are intended to determine if growth would have occurred in the area without the use of redevelopment. The process should convene with negotiations and only in extraordinary circumstances should legal action be pursued.

Recommended County Policies Regarding Redevelopment

Based on a review of policies regarding redevelopment adopted or suggested by other counties, the following policy recommendations have been compiled. These policies are intended to provide general guidance to county staff recognizing that each project will be reviewed

individually with the Board of Supervisors prior to the initiation of formal discussions with a redevelopment agency. In addition, areas of legislative reform to strengthen the County position are recommended. The policies and proposed legislative changes being recommended are as follows:

General County Policy

- Support the legitimate use of redevelopment in addressing severe cases of community "blight"
- Establish that the Redevelopment Task Force work with cities at the early plan formulation stage
- Oppose the use of tax increment financing for proposed improvements which are normal city responsibilities and which should be financed from the City General Fund (examples are building and street maintenance)
- Create a Fiscal Review Committee for all new projects or amendments for which the County has not been contacted in advance, or insufficient information has been made available to the County from the agency.

Concerning Fiscal Impact on the County

- All amendments financially affecting the County must first have the Board of Supervisors' approval
- Allocate all of the increase in local revenues in the project area (such as sales or bed taxes) to repay project debt (in lieu of property tax increments)
- If the County determines a project area is not blighted, the project will provide no regional benefit, the project area would have developed without the use of redevelopment, or that alternative sources of financing are available, the County shall negotiate a 100% pass-through of tax increments to the General Fund
- The County shall receive the property tax associated with a minimum of the first 5% increase in project area assessed value each year to cover the increased cost of County services (generally, service costs increase by 5% per year)
- Amount of tax increment to the agency will be reduced by the amount of profit realized from the sale or lease of project property
- If property tax rates increase, the County will be reimbursed accordingly

Concerning Projects and Agreements

- Areas experiencing assessed value growth greater than or equal to the County or City average during the prior five years shall be excluded from the total project area. (This refers to general areas, not specific parcels.)
- All project length determinations must be explained and justified. Project plans with a 20-year duration will be considered reasonable. Projects intending to last more than 20 years will be considered extraordinary and will need to be justified by clearly convincing supporting facts.

- When an amendment is proposed, the County shall renegotiate a total project life and tax increments for the whole project, not just the amended area.

Concerning Project Monitoring

- Require a copy of the annual audited financial statements from the redevelopment agency describing the agency activities for the prior year and listing the total expenditures broken down by department, for each project area
- Require the agency to do an annual follow-up report on the project area to show what development has occurred. It must also prove that the area is still blighted to warrant continuation of the project, or if the blighted condition has been remedied by redevelopment, the project shall be completed early with a sunset provision.

Proposed Legislative Changes

Sponsor legislation or support legislative reform through cooperation with other jurisdictions which:

- Limits the scope of projects
  - Establish a range limit on the percentage of the County's assessed value or acreage allowed to be included in redevelopment project areas. A moratorium shall then be held on redevelopment activity until project areas have returned to the tax rolls. Any redevelopment activity allowed to exceed this range limit must first have Board of Supervisors' approval.
  - Set a limit on the percent of a jurisdiction's territory which can be included in redevelopment.
  - Set limits on an agency's use of tax increment financing based on the availability of other funding sources.
- Clarifies existing redevelopment law and narrows the definition of blight (an example would be U.D.A.G. criteria)
- Defines legal difference between development and redevelopment
- Places a freeze on sales and bed taxes and other local revenues, similar to the way property taxes are frozen at the beginning of a project. As tax revenues increase, due to redevelopment activity, allocate all or part of those increases to repay project debt. The tax revenue associated with the frozen base continues as revenue to the city.
- Requires a mandatory 2% pass-through from agencies to all affected taxing entities (except school districts which receive a 100% pass-through from AB 203).
- Reimburses the County for expenses involved in the review process of new and amended redevelopment projects, including consultant's fees.
- Requires County written approval prior to the adoption of redevelopment plans or amendments intending to use tax increment financing, or which are detrimental to the County's fiscal position.

- Requires projects started prior to 1977 to establish a time limit on the project life, and a tax increment limit, if none was stated in the redevelopment plan at the time of adoption.
- Attempts to seek State subvention to reimburse the County loss of tax increments from redevelopment. (Similar to homeowners property tax subvention.)

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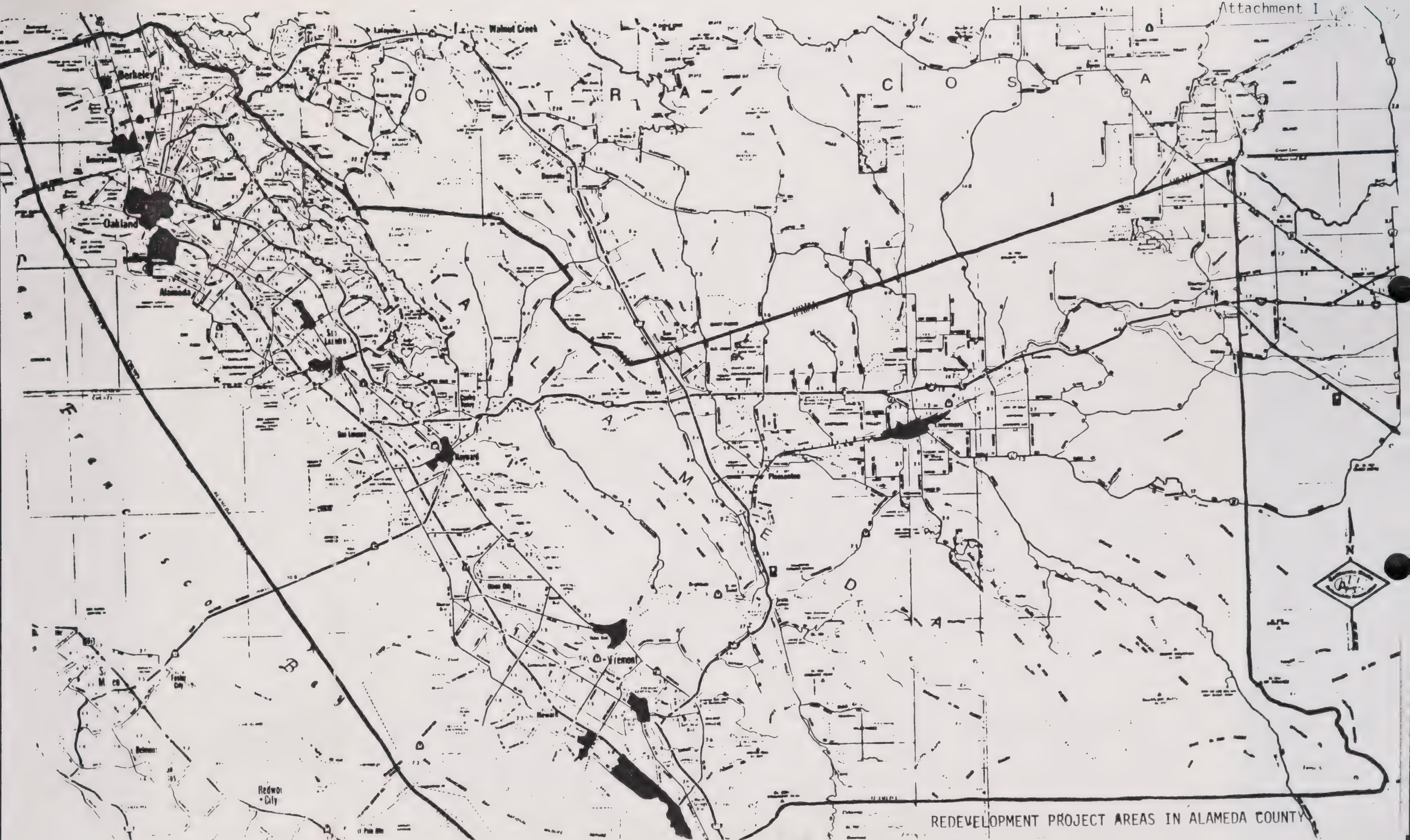
Attachment I

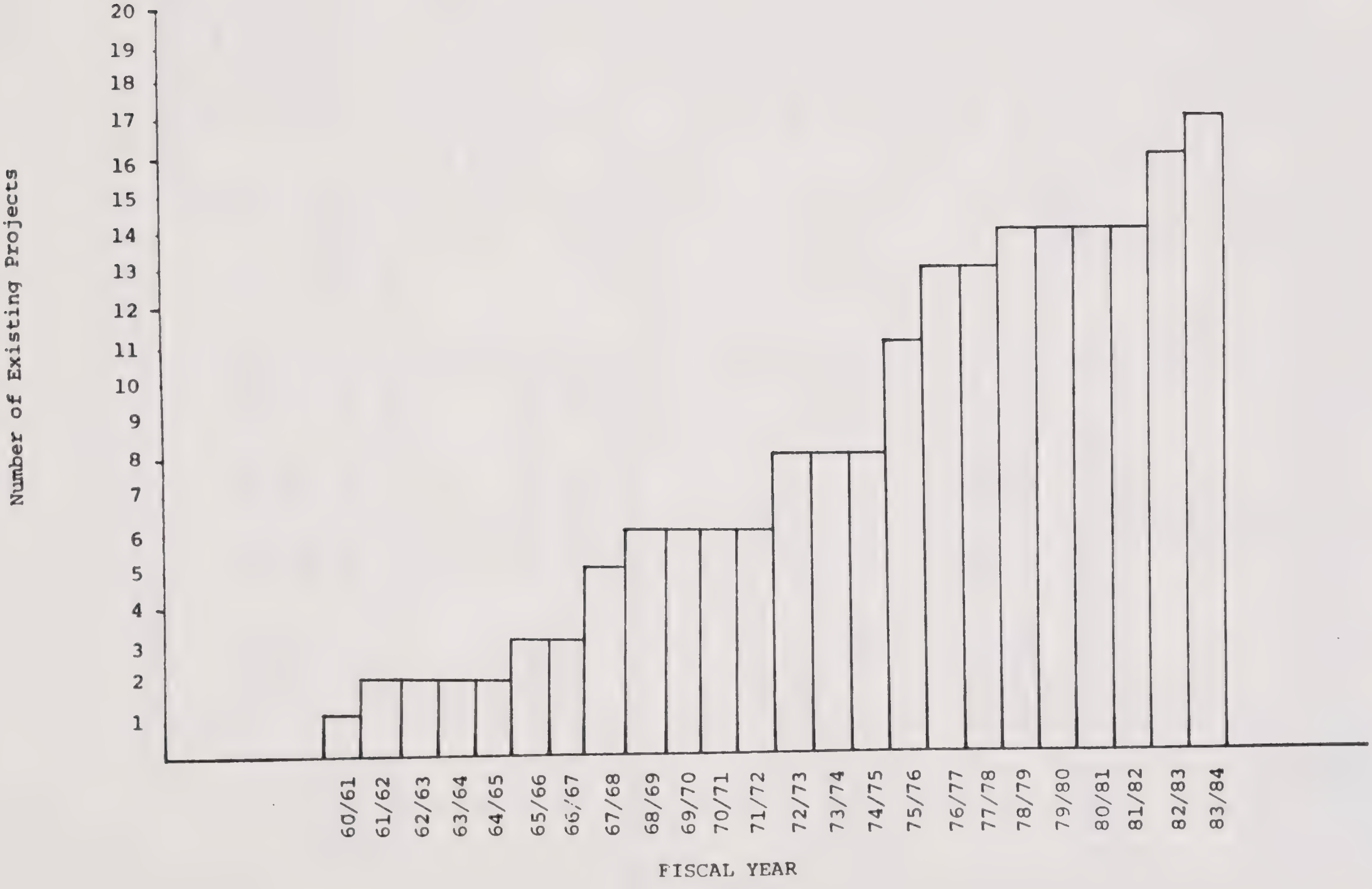


REDEVELOPMENT PROJECT AREAS IN ALAMEDA COUNTY

Attachment II

ALAMEDA COUNTY

NUMBER OF CITY AGENCY PROJECTS USING TAX INCREMENT FINANCING



ALAMEDA COUNTY REDEVELOPMENT PROJECTS

City	Projects	General Description	Estimated Years to Completion	1983-84 Loss from County	Total Loss from County to Date	Estimated Total County Loss Till Completion*
Alameda	1. West End Comm. Imp. Proj.	• Develop part of area into residential/commercial recreation and open spaces use • Upgrade streets and storm drainage systems	39 years (2021-22)	None	None	(1982 estimate) $125 Million
Berkeley	1. Savo Island	• Modify streets and public utilities • Acquire and assemble parcels • Rehabilitate some property • Relocation assistance	31 years (2015-16)	Gen.Fd. $11,301 Other $34,057 Total $45,358	Gen.Fd. $18,069 Other $54,543 Total $72,612	No estimate give
	2. West Berkeley Industrial Park	• Acquire & assemble parcels • Site clearance and preparation • Historic district restoration • Relocation assistance	12 years (1977-78)	Gen.Fd. $125,160 Other 350,099 Total $475,259	Gen.Fd. $688,494 Other 6,619,656 Total $7,308,130	(1967 estimate) $10 Million
Emeryville	1. Emeryville Redevelopment Project	• Install streets and other public improvements • Rehabilitate some structures and remove others • Relocation assistance • Assemble parcels for industrial use	36 years (2020-21)	Gen.Fd. $623,509 Other 885,411 Total $1,508,920	Gen.Fd. $1,876,256 Other 2,843,734 Total $4,719,990	No estimate give
Fremont	1. Niles Redevelopment Project	• Street and other public improvements • Rehabilitation of some structures • Site clearance • Land assembly and resale • Relocation assistance	23 years (2007-08)	Gen.Fd. $27,740 Other 56,584 Total $84,324	Gen.Fd. $82,272 Other 174,117 Total $256,389	(1977 estimate) $7.5 Million

City	Projects	General Description	Estimated Years to Completion	1983-84 Loss from County	Total Loss from County to Date	Estimated Total County Loss Till Completion*
Fremont (cont'd)	2. Irvington Redevelopment Project	• Upgrade streets and other public improvements • Land assembly and resale • Rehabilitation assistance and some removal • Relocation assistance	23 years (2007-08)	Gen.Fd. $169,761 Other 386,817 Total $556,578	Gen.Fd. $542,106 Other 1,328,865 Total $1,870,971	(1977 estimate) $25 Million
	3. Fremont Industrial Development Project	• Improvements to 4 freeway interchanges	19 years (2003-04)	None	None	(1983 estimate) $25 Million
Hayward	1. Downtown Proj.	• Beautification • Improve traffic ciculation • Expand parking facilities • Public utilities	37 years (2020-21)	Gen.Fd. $204,999 Other 545,907 Total $750,906	Gen.Fd. $748,975 Other 2,094,485 Total $2,843,460	No estimate give
Livermore	1. Livermore Redevelopment Project	• Install streets and utilities • Rehabilitate some structures • Assemble, clear, re-sell parcels	32 years (2016-17)	Gen.Fd. $29,422 Other 64,416 Total $93,838	Gen.Fd. $29,422 Other 64,416 Total $93,838	(1982 estimate) $15 Million
Newark	1. Project Area 1	• Land assembly and resale	Was estimated to end in 1983	None	None	None
	2. Project Area 2	• Land assembly and resale	10 years (1994)	None	None	None
	3. Project Area 3	• Land assembly and resale	10 years (1994)	None	None	None
	4. Project Area 5 (proposed)	• Land assembly and resale	Not yet adopted	None	None	None
	5. Project Area 4	• No description of project plan yet			Will be the first Newark project to use tax increment financing	

City	Projects	General Description	Estimated Years to Completion	1983-84 Loss from County	Total Loss from County to Date	Estimated Total County Loss Till Completion*
Oakland	1. Central District Urban Renewal	• Rehabilitation of structures • Acquire and clear land • Relocation assistance	24 years (2008-09)	Gen.Fd. $2,057,948 Other 6,478,579 Total $8,536,527	Gen.Fd. $15,818,792 Other 34,394,847 Total $50,088,988	(1979 estimate) $123.3 Million
	2. Oak Center	• Acquire and resell land • Install public improvements • Clear some structures • Relocation assistance	21 years (2005-06)	Gen.Fd. $56,405 Other 164,844 Total $221,249	Gen.Fd. $244,407 Other 747,647 Total $992,027	(1965 estimate) $36.9 Million
	3. Acorn Project	• Acquire and resell land • Install public improvements • Clear some structures • Relocation assistance	17 years (2001-02)	Gen.Fd. $147,146 Other 438,578 Total $585,724	Gen.Fd. $1,523,627 Other 4,693,358 Total $6,055,306	(1962 estimate) $13.5 Million
	4. Stanford/Adeline Redevelopment Project	• Assemble and clear parcels • Improve traffic circulation & other public improvements • Residential rehabilitation assistance	28 years (2012-13)	Gen.Fd. $7,692 Other 25,071 Total $32,763	Gen.Fd. $26,215 Other 84,324 Total $110,539	(1973 estimate) $2.5 Million
	5. Elmhurst Redevelopment Proj.	• Install public improvements • Redesign East 14th St. • Residential rehabilitation assistance	28 years (2012-13)	Gen.Fd. $21,211 Other 66,134 Total $87,345	Gen.Fd. $67,776 Other 212,612 Total $280,388	(1973 estimate) $10 Million
	6. 77th Avenue Industrial Redevelopment Project	• Acquire and resell parcels • Vacate a portion of 81st Avenue • Relocate 2 businesses	34 years (2018-19)	None	None	(1978 estimate) $500,000
	7. Oakland Coliseum Area Proj. (Proposed)	• No project description yet				

City	Projects	General Description	Estimated Years to Completion	1983-84 Loss from County	Total Loss from County to Date	Estimated Total County Loss Til Completion*
San Leandro	1. Plaza 1 Project	• Improve public areas • Widen East 14th St. and restrict traffic • Expand parking facilities	11 years (1995-96)	Gen.Fd. $44,770 Other 54,431 Total $99,201	Gen.Fd. $352,908 Other 659,916 Total $1,012,824	(1961 estimate) $10 Million
	2. Plaza 2 Project	• Improve public areas • Widen streets • Provide public transportation between BART and Plaza 1 • Provide pedestrian overcrossing over the BART parking lot	18 years (2002-03)	Gen.Fd. $215,621 Other 267,515 Total $483,136	Gen.Fd. $933,995 Other 1,497,360 Total $2,431,355	(1983 estimate) $9.6 Million
Total City Agencies = 9	Total Existing Projects = 20 Total Proposed Projects = 3		Average years to completion = 22.7 years	Total 1983-84 County loss Gen. Fund = $3,742,685 Other = $9,818,443 Total = $13,561,128	Total County loss to date Gen. Fund = $22,666,957 Other = $55,469,860 Total = $78,136,817	Estimated total County loss to completion $414 Million

*These are gross estimates taken from redevelopment plans and are likely to be understated.

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Attachment IV

TAX INCREMENTS PAID TO REDEVELOPMENT PROJECTS

Year	Tax Increment Lost From All Taxing Entities	Tax Increment Loss From County General Fund
1960/61		
1961/62		
1962/63		
1963/64	$13,542	$3,624
1964/65	17,687	3,386
1965/66	22,473	6,015
1966/67	22,293	5,866
1967/68	17,296	4,686
1968/69	134,815	28,927
1969/70	474,241	82,372
1970/71	590,621	278,943
1971/72	1,007,755	402,199
1972/73	1,830,207	708,468
1973/74	2,933,530	1,048,450
1974/75	3,605,896	1,276,286
1975/76	4,111,970	1,453,058
1976/77	5,218,460	1,949,112
1977/78	5,668,947	2,489,394
1978/79	4,125,130	1,163,559
1979/80	5,499,156	1,487,060
1980/81	5,617,508	1,594,714
1981/82	8,621,350	2,331,024
1982/83	10,751,529	2,893,486
1983/84	13,561,128	3,742,685
Total	$73,845,534	$22,953,314

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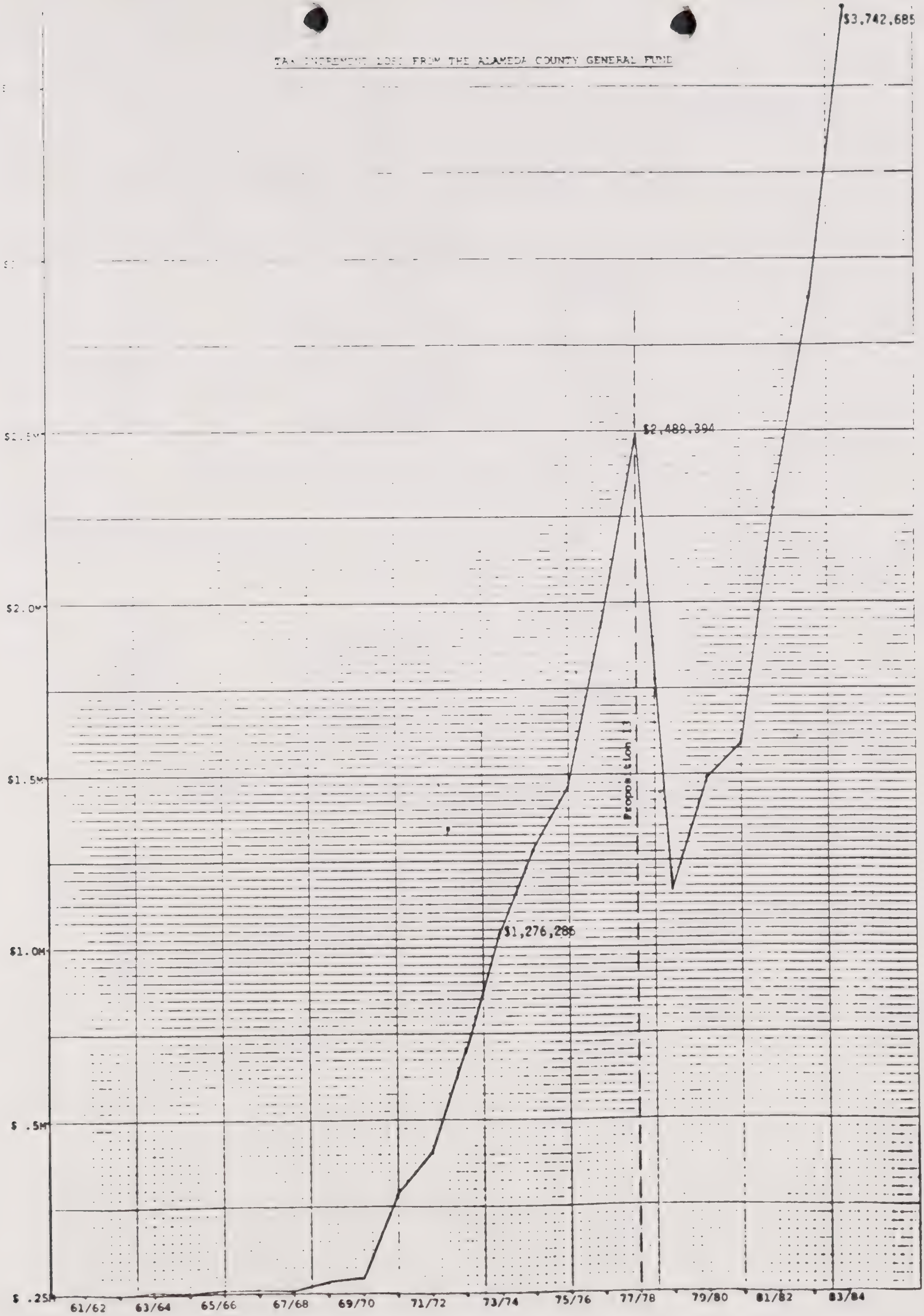
Attachment V



Attachment VI

ANNUAL RATE OF GROWTH IN ASSESSED VALUES

Countywide (excluding redevelopment areas)

Year	AV	% Growth
1980	$22,028,770,000	--
1981	$24,960,930,000	13.3%
1982	$27,539,850,000	10.3%
1983	$30,270,900,000	9.9%
1984	$32,988,850,000	--

Average growth per year from 1980 to 1983 = 11.2%
% Growth Since 1980 = 49.8%

Redevelopment Areas Only

Year	AV	Average % Growth
1980/81	$1,090,338,992	--
1981/82	$1,347,626,812	38.8%
1982/83	$1,509,263,567	22.6%
1983/84	$1,802,306,776	19.8%
1984	$2,220,604,024	--

Average Growth per year from 1980 to 1983 = 27.1%
% Growth Since 1980 = 103.7% (includes new projects started)

Year	Redevelopment Areas AV as a Percentage of Countywide AV
1980	4.9%
1981	5.4%
1982	5.5%
1983	6.0%
1984	6.7%

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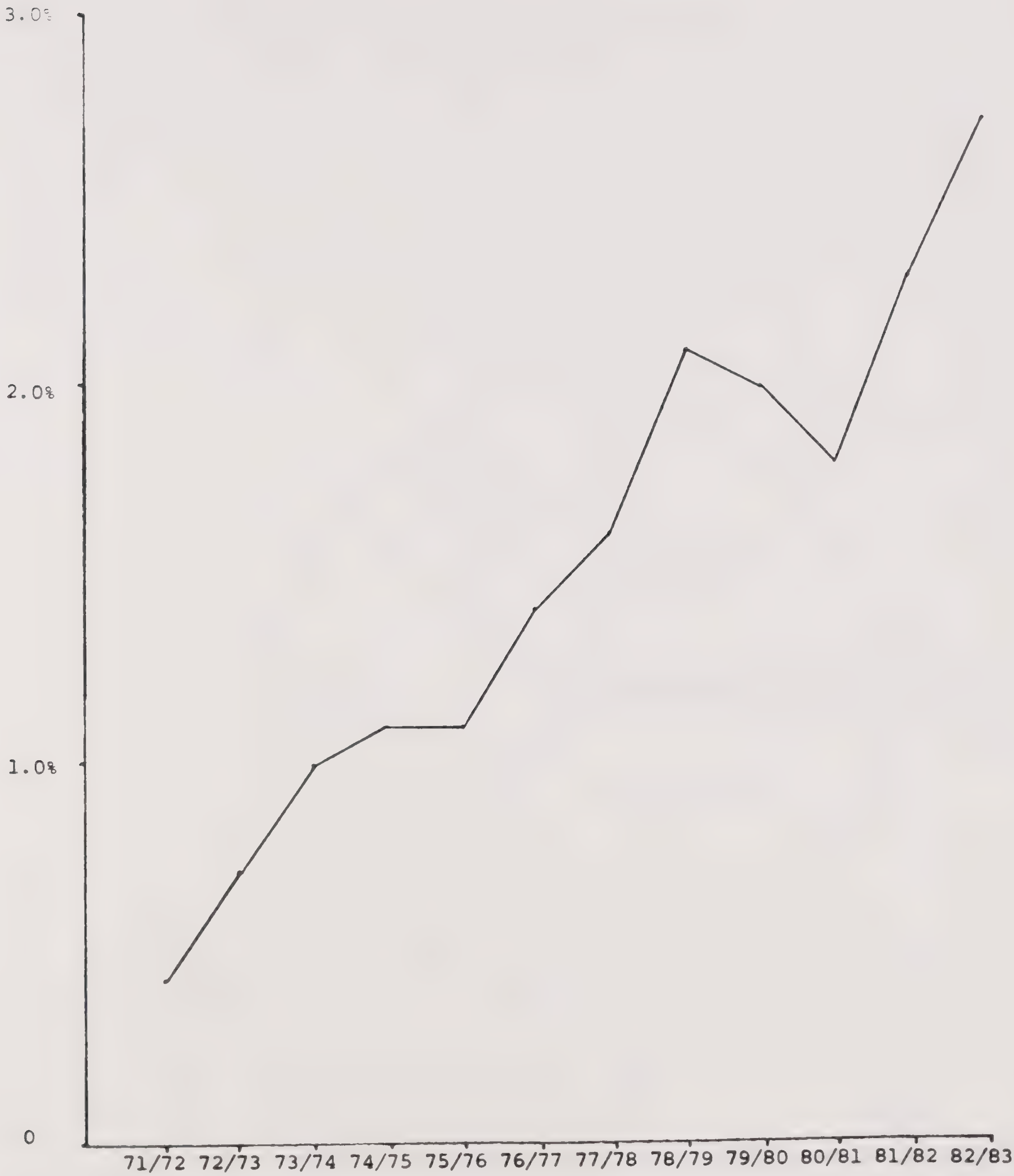
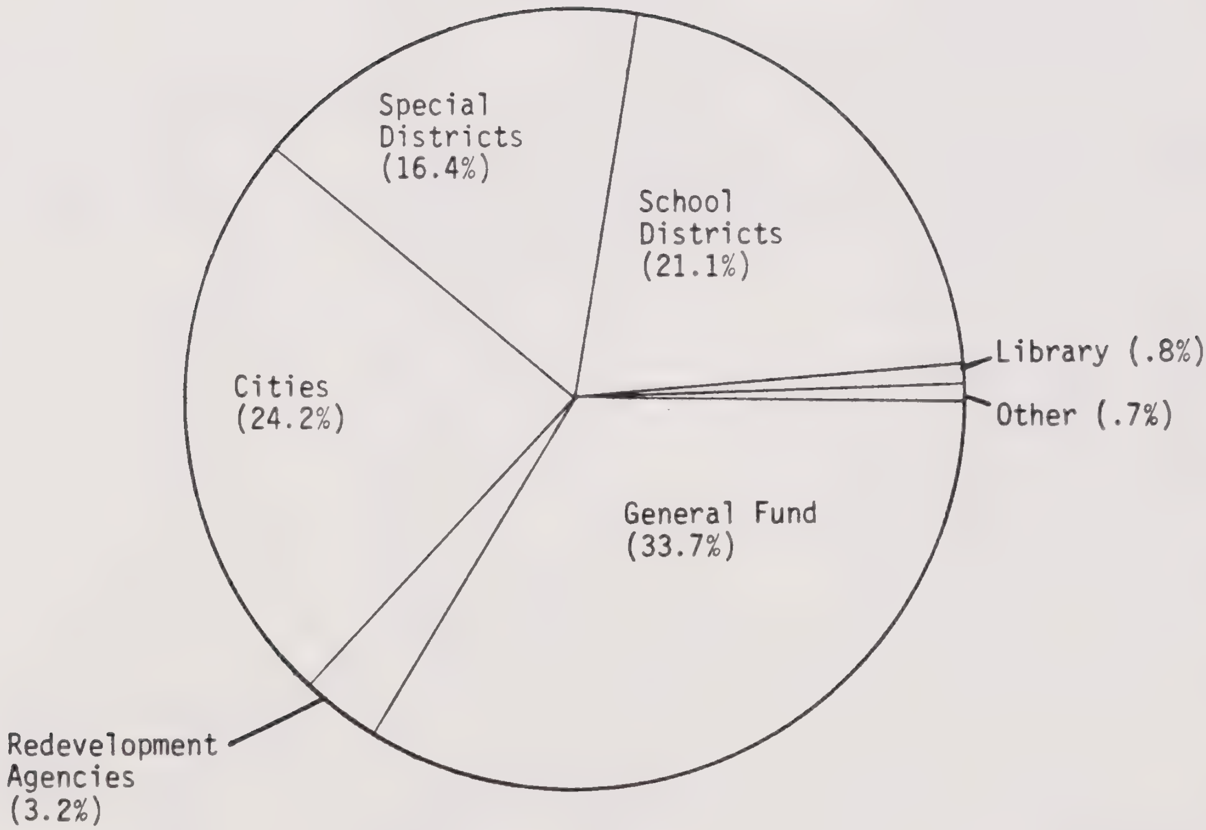
GENERAL FUND INCREMENT PAID AS A
PERCENTAGE OF GENERAL FUND PROPERTY TAX REVENUE



1983-84 1% Property Tax Allocation



Attachment IX

REDEVELOPMENT SURVEY RESULTS

County	# Projects Existing in the County	# of City Projects Using Tax Incr. Fin.	County's Loss of Property Tax Revenue	Successful Negotiation Strategies Used
Alameda	City 21 County 0 Total 21	17	Fiscal Year 1983-84 General Fund - $3,742,688 Other Jurisdictions - $9,818,440 Total - $13,561,128	• Reduced total tax increments proposed to be used by the project • Tax increment pass through • Reduced length of the project as proposed by the plan
Contra Costa	City 37 County 1 Total 38	37	Fiscal Year 1983-84 General Fund - $3,473,834 Other Jurisdictions - $2,919,245 Total - $6,393,079	• Reduced total tax increments proposed to be used by the project • Tax increment pass through • Limited the project to include specified activities
Los Angeles	City 160 County 5 Total 165	160	Fiscal Year 1984-85 General Fund - $77,639,276 Other Jurisdictions - $13,423,538 Total - $91,062,814	• Reduced total tax increments proposed to be used by the project • Decreased the total project area • Diverted increased sales tax or other local revenue to the project in lieu of tax increments • Tax increment pass through • Reduced the length of the project as proposed by the plan • Altered the type of project proposed
Mendocino	City 0 County 0 Total 0	n/a	n/a	n/a
Monterey	City 9 County 0 Total 9	9	Fiscal Year 1983-84 General Fund - $382,000 Other Jurisdictions - $64,755 Total - $446,755	• Reduced total tax increments proposed to be used by the project • Decreased total project area • Tax increment pass through • Reduced length of the project as proposed by the plan • Altered type of project being proposed • Received credit for low and moderate income housing

County	# Projects Existing in the County	# of City Projects Using Tax Incr. Fin.	County's Loss of Property Tax Revenue	Successful Negotiation Strategies Used
Orange	City 43 County 0 Total 43	43	Fiscal Year 1983-84 General Fund - $5,010,000 Other Jurisdictions - $1,565,000 Total - $6,575,000	• Reduced total tax increments proposed to be used by the project • Decreased total project area • Property and/or business owner contribution through special assessment • Tax increment pass through • Reduced length of the project as proposed by the plan • Altered the type of project proposed
Placer	City 1 County 0 Total 1	1	Fiscal year 1984-85 General Fund - $8,203 Other Jurisdictions - $1,462 Total - $9,665	• Reduced total tax increments proposed to be used by the project • Decreased the total project area • Diverted increased sales or the local revenue to the project in lieu of tax increments • Tax increment pass through • Reduced length of the project as proposed by the plan
Sacramento	City 9 County 1 Total 10	9	Fiscal Year 1983 General Fund - $1.69 M Other Jurisdictions - $.16 M Total - $1.85 M	• None - have a joint powers agreement and the County now administers most of the existing projects
San Bernardino	City 45 County 0 Total 45	45	Fiscal Year 1983-84 General Fund - No Info Other Jurisdictions - No Info Total - No Info	• Reduced total tax increments proposed to be used by the project • Decreased total project area • Property and/or business owner contribution through a special assessment • Tax increment pass through • Reduced the length of the project as proposed by the plan • Altered the type of project proposed • Set a dollar or year "cap" on increments pad to the agency

County	# Projects Existing in the County	# of City Projects Using Tax Incr. Fin.	County's Loss of Property Tax Revenue	Successful Negotiation Strategies Used
San Diego	City 23 County 0 Total 23	23	Fiscal Year 1983-84 General Fund - $2,491,566 Other Jurisdictions - $7,772,752 Total - $10,264,318	• Reduced total tax increments proposed to be used by the project • Decreased total project area
Santa Barbara	City 3 County 0 Total 3	3	Fiscal Year 1983-84 General Fund - $1,067,700 Other Jurisdictions - $2,491,555 Total - $3,559,255	• None - city dropped the project before negotiations started
Santa Clara	City 18 County 0 Total 18	18	Fiscal Year 1983-84 General Fund - $10.7 M Other Jurisdictions - $1.4 M Total - $12.1 M	• Limited total tax increments proposed to be used by project • Tax increment pass through • City shares the increment amount exceeding that required to meet the debt service
Solano	City 12 County 1 Total 13	12	Fiscal Year 1983-84 General Fund - $975,481 Other Jurisdictions - $192,723 Total - $1,168,204	• Reduced total tax increments proposed to be used by the project • Decreased total project area • Tax increment pass through • Reduced length of the project as proposed by the plan • Altered type of project being proposed
Tulare	City 4 County 0 Total 4	4	Fiscal Year 1984-85 General Fund - $188,851 Other Jurisdictions - $153,862 Total - $342,713	• Reduced total tax increments proposed to be used by the project • Decreased total project area • Diverted increased sales tax or other local revenues to project area in lieu of tax increments • Tax increment pass through • Reduced length of the project as proposed by the plan • Altered type of project being proposed

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Attachment X

****RECOMMENDED ANALYTICAL PROCEDURE****
FOR NEW PROJECTS/AMENDMENTS

A. Examine Preliminary Plan, Preliminary Report, and Draft EIR

1. Preliminary plan contains:

   - Description of project boundaries.
   - A map showing the boundaries.
   - Statement that a redevelopment plan is being prepared.

2. The preliminary report contains:

   - Reasons for selecting the project area.

   - Description of the physical, social, and economic conditions of the area.

   - Proposed method of financing, projects economic feasibility, and the reasons for including tax increment financing.

   - Description of specific projects in enough detail to allow the Fiscal Review Committee to review the fiscal impacts.

   - Description of how the project will improve or alleviate the conditions considered blighted.

B. Create the Fiscal Review Committee (FRC)
(although an informal task force may be used as an alternative)

1. Do this within 15 days of receipt of preliminary plan.

2. Notify the agency that a FRC has been created.

3. Send a letter to the agency requesting specific information needed for the FRC to use in projecting and analyzing service cost impacts.

4. For projects initiated after January 1, 1985, within 15 days after notification that the FRC has been formed, and before the proposed plan is made, the FRC and the agency shall start consultations regarding the impact on taxing entities and suggest provisions to the plan to alleviate financial detriment/burden.

C. Determine Blighted Conditions

1. Visit the site and take photographs representative of the area (aerial or video scanning of the area would be helpful). To be done by Planning Dept., Public Works, County Counsel, and CAO representative.

NOTE: The purpose of the FRC report is to determine the fiscal impact of the plan or amendment on the taxing entities. Generally, the more information gathered, the better the County's position will be in negotiations. (See code section on FRC report under "County Responsibilities").

G. Convene the FRC and Hold a Hearing

1. The FRC holds a hearing between 25 and 40 days (starting Janury 1, 1985) from receipt of the redevelopment plan.

2. The hearing is completed within 15 days from the first hearing unless the agency and the FRC agree to an extension.

3. Present the FRC report findings and photographs at the hearing.

H. Report to the Agency

1. The FRC reports to the agency within 30 days of completion of the hearings.

2. The report discusses the fiscal impact of the plan or amendment on each taxing entity.

3. This report is the FRC report and hearing results.

I. Start Negotiations with the Agency

1. Possible areas of negotiation for FRC to consider:

- Reduce total project area.

- Redue total tax increments to be used according to the plan, or reduce the number of years the County will pay tax increments to the agency.

- Place a cap on the amount of tax increments to be allocated without amending the plan (this gives the County some protection in the future).

- Let the agency keep some parcels they feel are necessary but pass-through the tax revenue from some parcels. Try to arrange pass-throughs of tax increments from parcels in a project area not directly attributable to redevelopment activities.

- Reduce the length of the project being proposed.

- Alter the type of project being proposed.

- 100% tax increment pass-through especially for school, flood control, fire, and water districts. If the County has a strong case against the project, request 100% pass-through to the County. (Starting 1985, a 2% pass-through to schools is required).

- An across-the-board 2% pass-through to all taxing entities affected to cover only increased service costs.

2. Estimate the level of blight and the amount of vacant/undeveloped land.

   - Blight as a percentage of the total area.
   - Vacant land as a percentage of total area.

3. Revew recent development activity in surrounding areas.

D. Determine Growth in the Area for Prior Five Years

1. Review building permits issued in the project area for the previous 1 year, and in surrounding areas. These documents will be on record with the county assessor's office and/or with the city planning department.

2. Look at assessed value increases of property in and around the project area for the past five years due to construction or change in ownership.

3. Review Planning Commission minutes to determine development activity in the project area.

4. Review property tax growth in the project area for the past five years compared with the countywide tax growth, and develop a trend.

5. Determine increased service costs related to redevelopment. A rough estimate of service costs for the area each year can be determined by the following formula:

$$\frac{\text{Total countywide service costs (excluding unincorporated area)}}{\text{Total countywide population (excluding unincorporated area)}} = \text{Service cost per capita}$$

Service cost per capita x CPI (presently 5 1/2%) x projected area population (from EIR estimates) for each year = project area service cost per year.

This figure projected throughout the proposed project life using the current CPI will give a rough estimate of service costs for the project area over the project life. This total figure should be presented to the redevelopment agency during negotiations.

E. Receive and Examine the Proposed Redevelopment Plan

1. Make sure the plan documents meet all legal requirements.

F. Convene the Fiscal Review Committee

1. Start preparation of the FRC report.

2. Determine fiscal detriment to taxing entities.

3. Determine local and regional benefits of the project.

4. Determine which specific projects are normally city responsibilities.

5. Suggest amendments or agreements.

- Pass-through for certain County services.

- Divert increased sales taxes or bed taxes to the project and deduct this amount from tax increments payable to the agency (i.e. freeze the sales taxes just like the property tax is frozen in base year).

- Formulate an agreement whereby an amendment increasing the length of the project or the amount of tax increments to be used must first be approved by the Fiscal Review Committee.

- Phase construction/indebtedness so that tax increment payments will be made on a more gradual basis.

- Request specific sub-projects to be undertaken as part of the redevelopment project.

2. Present alternative financing mechanisms to the redevelopment agency for consideration

   - Create a special assessment district for property owner participation (mainly for vacant land).

   - Create a business improvement district for business owner participation.

   - Sales tax increment - a city may authorize an agency to use all or part of sales taxes generated within a project area.

   - Developer fees or developer participation programs (loans and advances for initial funding or lease payments from leasing land or public facilities).

   - Community facility districts.

   - Enterprise zone.

   - Special tax levies.

   - Issue revenue bonds instead of tax allocation bonds.

   - Federal funding sources (while Federal programs have been reduced, they are an alternative funding source):

     - Community Development Block Grants. Eligible activities include acquisition of property, clearance and demolition, relocation, public facilities and historic preservation.

     - Economic Development Administration Funding. EDA funding for economically distressed communities for public works ranging from drainage to parking facilities.

     - Loan Guarantee Program. HUD administered program to allow a local community to borrow funds through the Federal Finance Bank by pledging, as collateral, future community Development Block Grant Applications. These can be used to fund land acquisition and related costs.

- Other revenue sources for road construction costs:
  - Federal FALL
  - State PUC
  - County AHFP

J. If a Plan is Adopted

1. The city clerk must send a copy of the ordinance, a description and statement, and a map to the auditor within 30 days following adoption of the plan.

2. Make sure the ordinance meets legal requirements (see code section "Adopting the Plan and Ordinance Requirements").

K. Take Legal Action if Necessary

1. Legal action must be taken within 60 days after the adoption of the plan.

2. Action can be taken against the plan or the procedures.

L. Ongoing Monitoring of a Project

1. Audit the outstanding debt (Statement of Indebtedness) annually to make sure it complies with the plan and that debt repayment is happening on a timely basis.

2. Request and examine the audited financial statements required by the State Controller (or request them from the agency) to audit agency expenses and to make sure the tax increments are spent on project activities and not on normal city activities.

3. Monitor the project area assessed valuation growth.

4. Data required by law for monitoring purposes in reality is inadequate or is not used effectively. The County will have to request data directly from the agency each year. Such data could include:

   - Audited financial statements
   - The financial statement from the previous year
   - Description of the agency's activities affecting housing
   - Expenses by each department and the purposes of those expenses
   - Agency plans for the upcoming year